

NSC BRIEFING

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28 June 1955

WORLD REVIEW

- I. It has now been some weeks since the Council has heard from me regarding world developments affecting US security. Today seems a good time, therefore, to take a look around the world, both in a quick review of old situations that have remained much the same and a report on significant new developments. Because next week all your attention is likely to be focused on the "Summit," I should like to pay particular heed today to those parts of the world which find themselves neglected in the "Summit" context.
- II. First of these is the recent series of events in our own "back yard"--the sudden ~~and unexpected~~ rebellion in Argentina, where, despite soothing press reports, calm is still far from being re-established.
- A. The brief but violent military revolt of 16 June has at least temporarily altered the Argentine government's power structure by returning the Army to a dominant position over Peron's labor machine. The durability of this major change, however, remains dependent on future events--one clue will be the composition of the new Argentine cabinet--still to be announced.

STATE review(s) completed.

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DOCUMENT NO. 30  
NO CHANGE IN CLASS. ☐  
☐ DECLASSIFIED  
CLASS. CHANGED TO: TS 6  
NEXT REVIEW DATE: 1990  
AUTH: HR 70-2  
DATE: 11/10/80 REVIEWER:

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B. At present, the military (especially Minister of the Army Lucero) appears to control the government-- although the Army reportedly has taken great pains to conceal its position of power over Peron and official Government communiques protest that the situation is again "normal."

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D. Peron, in turn, has apparently agreed to meet the demands which have resulted from Army negotiations with the rebellious Navy. These demands include:

1. Resignations of all cabinet ministers.
2. An end to Peron's anti-Church campaign.
3. Amnesty for the naval personnel involved.
4. A "purging" of the General Confederation of Labor (along lines not yet specified).

E. The resignation of the cabinet on 22 June suggests that Peron has responded to Army pressure, but the future orientation and stability of the Argentine government remains to be determined.

III. The second area in which events are subject to neglect while our attentions are fixed on the primarily European problems to be met at the "Summit" is the whole wide and troubled range of the Near and Middle East. There, in recent weeks, many of the most striking and alarming developments are

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attributable to a calculated Soviet drive both to disrupt Western defense planning for the area and to expand Kremlin influence. In furthering these aims, the USSR has:

- A. Rolled out a spectacularly red carpet for Nehru during his 20-day tour, touted him as the greatest "spokesman of neutral nations."
- B. Encouraged Afghan pursuit of its feud with Pakistan (granting small loans, providing some technical help, offering alternate transit arrangements to free the land-locked Afghans from dependence on the Pakistan trade gateway).
- C. In follow-up of 21 May financial settlement with Iran, delivered last of required 11 tons gold (\$12 million) on 3 June, has now begun shipping \$8.6 million more in goods.
- D. Approached both Syria and Egypt with offers of not only economic aid but also arms and even political support.
- E. In a new campaign, made repeated diplomatic and personal overtures to Greece--aimed at weakening American ties and Balkan alliance. In addition to a number of friendly diplomatic and trade overtures in Athens, the Soviet ambassador in Sofia on 9 June proposed a Yugoslav-Greek-Turkish-Bulgarian "entente" to the Greek mission there.

IV. Quite aside from these Soviet efforts, the usual Middle Eastern ferment continues.

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- A. The Afghan-Pakistani dispute remains unresolved, although the area of disagreement over how to reach a settlement has been narrowed.
- B. The much-plagued Pakistan government, itself, has lost control of the young country's only representative body, in the 21 June elections for a new constituent assembly. A cabinet reshuffle is inevitable and the fragmentation of power which has taken place (no group possesses a stable plurality) makes responsible government unlikely and a reassertion of Governor General's "rule"--in a far less favorable climate of opinion--probable.
- C. On the island of Cyprus, demands for union with Greece have recently been marked by terrorist activity. The situation heightens Greek-Turkish animosities and weakens the Balkan entente.
- D. The stability of Turkey's national economy is seriously threatened, and the government is concerned over the opposition's use of administration failure to get a US loan. We see no indication that the economic crisis will be resolved in near future.
- E. In Palestine, where tension is easing and will be further relieved by "low-level" talks between Egypt and Israel (scheduled for 28 June), basic issues remain unresolved, and sporadic incidents are likely.

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- V. In neighboring North Africa, the 3 June French-Tunisian agreement on home rule has resulted in relative quiet in that "protectorate."
- A. In the "protectorate" of Morocco, French officials appear determined to act against French colonists' counter-terrorism (climaxed by 11 June murder of liberal French publisher Lemaigre-Dubreuil, who favored compromise with Moroccan nationalists). At same time, French residents of Morocco being catered to by ousting of Resident General Lacoste, whom they opposed, and Moroccan nationalists continue dissident activity. Prospect is for further French precastination.
- B. Meanwhile, in pseudo-"metropolitan" Algeria, there is an upsurge in rebel activity, and an extension of economic sabotage. French troops have been reinforced by 20,000 since mid-May (total now 110,000, to combat some 2,500 rebels) and reinforcement by another 20,000 troops is expected this summer. Recently announced "reforms"--French effort to lessen tension--are opposed both by French settlers and by Moslems.

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VI. Although "Summit" thinking will concentrate on European problems, we can expect Far Eastern issues to be lowering in the background. A review of that area shows the Formosa Straits and Indochina still holding the limelight, although other new developments are crowding in the wings.

A. The Straits have not been the scene of major military action for many months. Instead, the picture there has been one of continuing and intense ChiCom activity to improve the strategic position. Rail-lines, roads and port facilities are under construction: five new airfields will be ready before end of summer.

1. Successful ChiCom interception of ChiNat planes near the Matsus on 27 June--first attempt at such interception in Straits area--affords some measure of general ChiCom strategic improvement. Further such incidents can be expected.

2. Meanwhile, Peiping continues--both in propaganda and through intermediaries--to bid for negotiations with US on "relaxing tensions" in Straits, without varying from established "line" that only US "occupation" of Formosa needs negotiation.

B. Little change noted in general Indochina situation. South Vietnam's Premier Dien, tall in the saddle, remains unwilling to commit his government on question of 20 July pre-election consultations.

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1. Still insists first priority is new military agreement with France.
2. Here, negotiations stalled over side-issue of proper "title" for Ely's replacement (senior diplomat Heppenot),
3. On 20 July talks, Dien's best offer to date is "possibility not excluded."
4. Meanwhile, French Chief-of-Staff (Guillaume), on survey trip to Vietnam, has astounded us by stating that French troop strength there is already reduced to 55,000 (or 20,000 less than expected 1 July level of 75,000).

- C. Government of Laos, under pressure from new Commission chairman to give negotiations "fair test," now planning renew talks with Viet Minh-supported Pathet dissidents in north. Deadline for progress--end of July.
- D. "Big Issue" of moment in Cambodia is whether US military aid agreement violates Geneva Accords. Commission there dealing with issue: Indian chairman leaning Canada's way at moment, but good chance he'll be differently instructed from New Delhi (known to oppose US military aid on general principles).

VII. Other Far Eastern developments include present stalemate in negotiations between Japan and USSR, new tension between Army (anti-Communist) and Government (leftist) in Indonesia,

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at time when that new nation's first parliamentary elections are just over horizon (29 Sep), and a surprise offer by Malay's jungle-skulking Communist guerrillas to "negotiate" a settlement.

A. Japanese and Soviet negotiators in London have met 5 times since 1 June, made no progress. Japanese now say they're stalling until after "Summit" meet. USSR taking hard line on "issues" raised by Japanese: want "normalization" first, settlement of "issues" later: Japanese want exact reverse. Good chance that outcome will be merely limited agreement and "state of war": major Soviet concessions appear most unlikely.

B. In Indonesia--where September elections (if honest) will probably bring anti-Communists into power--authority of present leftist regime, as well as prestige of President Sukarno, is now being challenged by Army. Acting Chief-of-Staff (Col. Lubis) is refusing to turn over post to newly-selected officer (Gen. Utoyo), who was picked as "compromise" candidate: many of Army's near-autonomous regional commanders (anti-Communist) also oppose Utoyo's accession.

1. Squabble appears to be newest phase of two-year conflict between Army anti-Communists and leftist Defense Minister.
2. West Java commander reported to have moved troops towards capital.

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3. Sukarno, who active in selection new Chief-of-Staff, not easily intimidated.

C. Early in June, the Secretary-General of the Malayan Communist Party dispatched from his headquarters (Malayan Races Liberation Army HQ--somewhere in Southern Thailand) to various Malayan political organizations an offer to negotiate a peaceful settlement of that country's seven-year terrorist "emergency."

1. British authorities (acting through Malayan Operations Council, in which Malay's three major political parties have seats) suppressed all news of the offer until last week, then announced unanimous Council rejection of it.
2. British-engineered rebuff, however, has now been repudiated by Malay's major political coalition (the "Alliance" of Malayan nationalists and Malayan Chinese, which is expected to sweep polls at area's first national election--27 July).
3. Although UK remains firmly and legally in charge Malayan affairs, not only after July elections but for years to come, issue of possible negotiated end to terror is likely to become a new sore point in UK-Malayan relations.

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- VIII. In Western Europe, during the past few weeks, there has been little change, and governments there (except Italy's) remain generally stable.
- A. With fall of Italy's Scelba cabinet (22 June), a prolonged period of maneuvering to form a new government is in prospect.
- B. Former agriculture minister Scogni, a left-wing Christian Democrat, was asked on 26 June to form a new government but may postpone his reply until 30 June.
1. If Scogni tries, he will probably try to reconstitute the coalition (CD plus minor center parties).
  2. The center parties are, however, increasingly uneasy over loss of popularity during their long association with the CD and Scelba's stalemated social reform program.
- C. The most likely long-range prospect in Italy is an all-CD cabinet based on parliamentary support from either the Monarchists or the Nenni Socialists.
- D. In perennially unstable France, Faure is expected to have no serious difficulty in lasting through the summer recess (to start 15 August).
1. One possible stumbling block would be violent trouble in North Africa, but--barring an unprecedented outburst of terrorism--the appointment of Grandval as new resident general in Morocco--politically the most explosive area--should ensure a parliamentary breathing spell until recess-time.

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2. Another source of danger to Faure is on the labor front, with French civil servants and postal workers threatening a nationwide strike on 1 July on grounds that wage-increase proposals discussed last week by the Faure cabinet are inadequate. However, new and probably satisfactory government decrees on the wage problem are forthcoming.

IX. Finally, on the Soviet/Satellite scene, we find a number of significant trends over the past weeks and months (the significance of many of them heightened by the ever-closing deadline of the "Summit"). Bloc military activities during this period, for example, have involved "public" displays of both "strength" and "reasonableness," while--privately--they continue to show strenuous Soviet efforts to attain the best possible fighting trim.

- A. As "muscle-flexing," we have seen no less than 14 separate "practice" air parades over Moscow since 1 April, "featuring" both new types of fighters and substantial numbers of long-range bombers (Soviet "Aviation Day," the nominal excuse for these practice exhibitions after May Day's parade was rained out, has been postponed from June to some time in July).
- B. Another public gambit of strength was the 14 May creation of the Warsaw Treaty unified Soviet-Satellite command, the carefully contrived "facsimile" of NATO and EDC.

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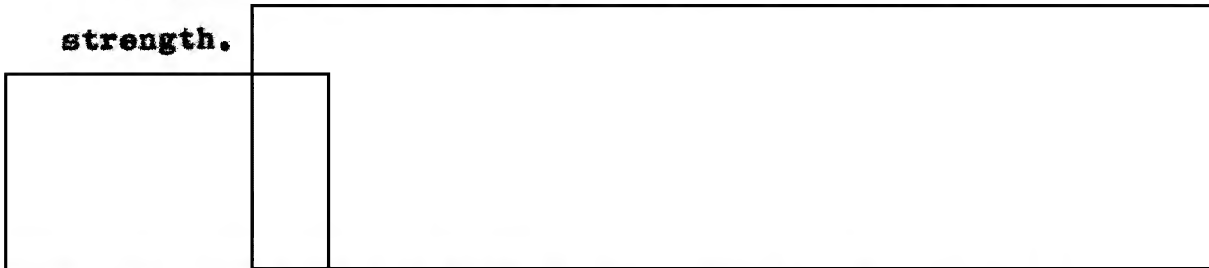
C. In contrast with these gestures, the Kremlin has seen to it that due publicity was given to such acts of "reasonableness" as the omission ad interim of East Germany from the Warsaw armies, the evacuation of Port Arthur (completed on schedule 31 May) and preparations for withdrawal of Soviet troops from Austria (to start in July).

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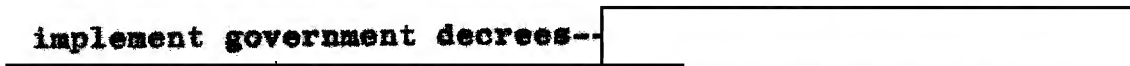
F. In this context, the possibility exists that Moscow feels its public "position of strength" has been slipping in recent months. The Kremlin leadership may even fear that the world believes the USSR is coming to the "Summit" hat-in-hand, as a result of internal weaknesses and the now-developed Western position of strength.



X. Meanwhile, the same old game of suppression and terror in the face of widespread popular disaffection continues in the Eastern European satellites. The "spy-trial" racket is in full swing, with alleged US, Western and even NATO agents being denounced in every satellite except Bulgaria and Albania.

A. US Legation Budapest predicts the imminent "show trial" of a local AP employee, which will involve a "supporting cast" of recently arrested Hungarians employed by the legation.

B. Popular restiveness in East Germany--characterized by passive resistance, localized strikes and refusal to implement government decrees--



East Germans are apparently convinced of their regime's almost total bankruptcy, both political and economic, and are pinning their hopes for the future on the results of the "Summit" and Adenauer's Moscow visit.

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